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Before the Senate Agriculture and Natural Resources
Neutral testimony on SB 152

Oral Testimony of Michael Gillaspie, Manager Governmental Affairs
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Good morning Mr. Chairman and members of the committee. My name is Michael Gillaspie and I work for ONEOK, as the manager of government relations in Kansas. ONEOK owns and operates one of the nation's premier natural gas and natural gas liquids (NGL) systems, connecting NGL supply in the Mid-Continent, Permian and Rocky Mountain regions with key market centers and is a leader in the gathering, processing, storage and transportation of natural gas in the U.S. ONEOK has operations in over 18 states, including substantial facilities and pipelines throughout the State of Kansas.

In order to have better background on this issue, it is important to understand the assets ONEOK owns and operates in Kansas. As part of our 18 state integrated system, we have roughly 7,000 miles of pipe that span across 63 counties in Kansas, including natural gas storage and processing facilities, as well as natural gas liquids processing and storage facilities. As part of the natural gas liquids system, we have underground hydrocarbon storage in several locations in Central Kansas as well as Class I disposal wells. For a visual representation of ONEOK's footprint, please see the attached ONEOK Fact Sheet that includes a map of our facilities, a list of some of our recent investments in Kansas, as well as a full asset map of ONEOK's operations in the other states we operate.

As part ONEOK's integrated natural gas liquids processing and storage system, ONEOK has multiple wastewater disposal wells, or Class I disposal wells. These wells are integral parts of the operation of our facilities, supporting the processing of natural gas liquids at our fractionation or processing facilities, as well as serving a primary function in our underground hydrocarbon storage system. Natural gas liquids are the heavier part of the natural gas stream and must be separated to create marketable purity products: ethane, propane, butane, and natural gasoline. In order to separate the products, ONEOK uses heat and cooling to create temperature differentials in giant metal towers, allowing the products to separate. Part of this processing uses cooling water to help create that temperature differential. This water is eventually recirculated and then disposed of through one of our disposal wells. Due to the high efficiency of our facilities, this process creates water that has too high of a mineral content to be used for public consumption.

The operation of our underground hydrocarbon storage wells also needs the availability of disposal wells. We pump brine, a highly concentrated solution of salt water, into our storage caverns, displacing the purity products like propane or butane, pushing that product out into one of our pipeline systems to eventually head to a customer or another facility. When we eventually put product like butane back into that underground storage cavern, it displaces the brine, pushing brine back out into our pipeline system. The brine is either put back into one of our brine storage ponds that stores a large quantity of brine, or it is disposed of down the

disposal well. Both of these types of disposal are disposed of at vacuum pressure, which would be similar to how siphoning works.

Over the years that ONEOK has operated our facilities in Kansas, we have worked hard to operate safely and efficiently, being good stewards of our resources. We have continued maintain a good relationship with the Kansas Department of Health and Environment (KDHE). Whether its monthly, quarterly, annually, or other periodic schedules for each facility, we regularly monitor and report to KDHE our pressures, volumes, injection rates, static fluid levels, waste minimization evaluations, and mechanical integrity tests. Currently, KDHE pays for all of those duties out of the fees ONEOK and several other companies pay to the Subsurface Hydrocarbon Storage Fund and other monies dedicated to the department division. ONEOK pays roughly \$200,000 annually to KDHE to this fund, which consists of a per cavern fee as well as a substantial fee per facility. There are only a few underground storage companies in Kansas, and more than double that number of Class I injection well companies. While we don't agree that ONEOK and the other storage companies should shoulder the cost of all companies that use disposal wells, we are wary of new fees that would be placed on top of the current fees that we are paying to support portions of the operations of the storage program and the underground injection control (UIC) program.

Below is the language in the bill that we are here to discuss:

(p) The secretary shall adopt rules and regulations to establish fees for permitting, monitoring, testing, inspecting and regulating class 1 underground injection control wells. The secretary shall remit all moneys collected from such fees to the state treasurer in accordance with the provisions of K.S.A. 75-4215, and amendments thereto. Upon receipt of each such remittance, the state treasurer shall deposit the entire amount in the state treasury to the credit of the water program management fund established pursuant to K.S.A. 65-166b, and amendments thereto.

This language does not create fees but gives the secretary of KDHE the ability to create fees on Class 1 injection wells, for the purposes of permitting, monitoring, inspecting and regulating. We do not believe this action is nefarious and believe there is value in this. We do have concerns of the broad language however, granting the secretary of KDHE the ability to create fees, when we don't know how they will be assessed on our facilities. We further have concerns that if we are currently already paying to support the UIC program, this has potential to keep increasing our costs to operate. That is our concern of uncertainty with the legislation and until we know the intention of proposed fees and how that will impact our business, we remain not fully supportive of the initiative. If this fee is eventually created, we would appreciate strong consideration of a reduction of fees on our storage facilities

Thank you for the opportunity to address the committee on this issue contained in SB 152. I will be happy to answer questions or provide clarification at the appropriate time.